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TO AMEMBASSY CAIRO IMMEDIATE

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E.O. 11652: N/A

TAGS: USEGJC, EGEN, US, EG

SUBJECT: US-EGYPT JOINT COMMISSION: AGREED DRAFT MINUTES
ON ECONOMIC AND FINANCIAL DECISIONS

1. EMBASSY REQUESTED TO PASS FOLLOWING MESSAGE FROM
TREASURY ASSISTANT SECRETARY PARSKY, CO-CHAIRMAN U.S.-EGYPT
JOINT WORKING GROUP ON ECONOMIC AND FINANCIAL COOPERATION
TO DR. MOHAMMED ZAKI SHAFEI, EGYPTIAN CO-CHAIRMAN OF JOINT
WORKING GROUP:

2. QUOTE: DEAR MR. MINISTER: AS YOU KNOW, THE DATES HAVE
NOW BEEN SET FOR MEETINGS BETWEEN PRESIDENT SADAT AND
PRESIDENT FORD IN WASHINGTON ON OCTOBER 27-28. WHILE NO
SEPARATE MEETINGS OF THE COMMISSION'S JOINT WORKING GROUPS
ARE PLANNED, THE ACTIVITIES AND ACHIEVEMENTS OF THE WORKING
GROUPS ARE TO BE REFLECTED IN THE JOINT COMMUNIQUE.

3. IN ASKING DR. ADLY ABDEL MEGUID LAST MONTH WHETHER YOU
AND YOUR COLLEAGUES FELT A MEETING OF THE JOINT WORKING
GROUP WOULD BE USEFUL PRIOR TO PRESIDENT SADAT'S VISIT

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AND THE JOINT BUSINESS COUNCIL MEETING, WE HAD IN MIND THE

PROBABLE NEED TO DEVELOP AREAS WHICH COULD BE FINALIZED DURING THE STATE VISIT AND TO BEGIN NEW INITIATIVES. SINCE IT WAS SUBSEQUENTLY DECIDED NOT TO HOLD A WORKING GROUP MEETING, THE AGREED MINUTES WILL HAVE TO REFLECT OUR WORKING GROUP'S PAST ACHIEVEMENTS AND OUR BEST JUDGEMENT REGARDING PROSPECTS FOR ITS FUTURE WORK. THEREFORE, WE HAVE REVIEWED THE STATUS OF THE GROUP'S ACTIVITIES AND PROGRAMS WITH A VIEW TOWARD IDENTIFYING THOSE AREAS WHERE MEANINGFUL DISCUSSIONS HAVE TAKEN PLACE AND WHERE RESULTS EITHER HAVE BEEN ACHIEVED OR ARE EXPECTED IN THE NEAR FUTURE. IF YOU AGREE, I SUGGEST THAT THE AGREED MINUTES INCLUDE A SECTION ALONG THE FOLLOWING LINES CONCERNING THE ECONOMIC AND FINANCIAL ACTIVITIES OF THE JOINT COMMISSION:

4. INNER QUOTE: IT WAS AGREED THAT THE JOINT WORKING GROUP HAD MADE IMPORTANT PROGRESS TOWARD ESTABLISHING MUTUALLY PROFITABLE AND CLOSER ECONOMIC TIES BETWEEN THE TWO COUNTRIES, AND REPRESENTATIVES OF BOTH GOVERNMENTS EXPRESSED THEIR DETERMINATION TO ACCELERATE GOVERNMENTAL AND PRIVATE ACTIVITIES TO ENHANCE THE ECONOMIC DEVELOPMENT OF EGYPT. BOTH GOVERNMENTS EMPHASIZED THEIR VIEW THAT THE SIGNIFICANT STEPS RECENTLY TAKEN TOWARD PEACE AND STABILITY IN THE MIDDLE EAST -- THE INTERIM AGREEMENT ON SINAI AND THE REOPENING OF THE SUEZ CANAL TO INTERNATIONAL NAVIGATION -- HAVE BROUGHT A MARKED IMPROVEMENT IN THE ECONOMIC PROSPECTS FOR EGYPT BOTH INTERNATIONALLY AND DOMESTICALLY.

5. REPRESENTATIVES OF BOTH GOVERNMENTS STRESSED THE IMPORTANCE OF THE EGYPTIAN GOVERNMENT'S QUOTE OPEN DOOR UNQUOTE POLICY TO PRIVATE INVESTMENT AND THE SIGNIFICANT CONTRIBUTION THAT THE PRIVATE SECTOR CAN MAKE TO THE RAPID DEVELOPMENT OF THE EGYPTIAN ECONOMY. THEY NOTED THAT SINCE THE ENACTMENT OF LAW NO. 43 FOR THE ENCOURAGEMENT OF FOREIGN INVESTMENT THE EGYPTIAN GOVERNMENT HAS ADOPTED OR PROPOSED A SERIES OF MEASURES TO LIBERALIZE FURTHER THE EGYPTIAN ECONOMY AND TO ATTRACT PRIVATE INVESTMENT. THE FOREIGN INVESTMENT LAW AND OTHER PERLIMITED OFFICIAL USE

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TINENT REGULATIONS AS WELL AS BROAD INFORMATION ON THE INVESTMENT CLIMATE IN EGYPT HAVE BEEN COMPILED IN A NEW INVESTMENT GUIDE PUBLISHED WITH COOPERATION OF THE UNITED STATES WHICH WILL BE DISTRIBUTED TO THE U.S. BUSINESS COMMUNITY THROUGH THE FIELD OFFICES OF THE DEPARTMENT OF COMMERCE.

6. THE BUSINESS COUNCIL, CO-CHAIR-ED BY THE BOARD CHAIR-

MAN THOMAS A. MURPHY OF GENERAL MOTORS ON THE U.S. SIDE,
AND BY DR. AHMED EFFAT ON THE EGYPTIAN SIDE, IS BRINGING

BUSINESSMEN OF BOTH COUNTRIES TOGETHER TO EXPLORE OPPOR-
TUNITIES FOR TRADE AND INVESTMENT AND OTHER MUTUALLY
BENEFICIAL COMMERCIAL TIES BETWEEN THE TWO COUNTRIES. IN
ADDITION, THE COUNCIL IS EXPECTED TO BE AN ACTIVE FORCE
FOR IMPROVEMENT OF ECONOMIC RELATIONS IN GENERAL, SUPPLE-
MENTING THE WORK BEING DONE ON THE OFFICIAL LEVEL BY THE
JOINT COMMISSION.

7. (AT THIS POINT I BELIEVE THE MINUTES SHOULD INCLUDE
A CONDENSED REPORT ON THE FIRST MEETING OF THE JOINT
BUSINESS COUNCIL, INCLUDING ANY EGYPTIAN GOVERNMENT AN-
NOUNCEMENTS OR OTHER ACTIONS COMMUNICATED TO THE BUSINESS
COUNCIL OR SUBSEQUENTLY TAKEN IN RESPONSE TO THE COUNCIL'S
RECOMMENDATIONS. THE MINUTES SHOULD ALSO STATE THAT THE
ECONOMIC AND FINANCIAL WORKING GROUP WILL GIVE CAREFUL
CONSIDERATION TO THE COUNCIL'S RECOMMENDATIONS FOR ACTION
BY THE TWO GOVERNMENTS.)

8. DURING PRESIDENT SADAT'S VISIT, A TREATY
FOR THE AVOIDANCE OF DOUBLE TAXATION WAS SIGNED. THE
TREATY, A MILESTONE IN THE ECONOMIC RELATIONS BETWEEN THE
TWO COUNTRIES, WILL SERVE TO REDUCE OBSTACLES TO TRADE AND
INVESTMENT BY REMOVING UNCERTAINTIES IN THE TAX AREA AND
BY CREATING A FRAMEWORK FOR MUTUAL COOPERATION BETWEEN
THE TWO COUNTRIES' TAX AUTHORITIES.

9. REPRESENTATIVES OF THE TWO GOVERNMENTS ALSO NOTED WITH
SATISFACTION THAT AGREEMENT WAS NEAR ON THE SECOND PHASE
OF A TAX ADMINISTRATION TECHNICAL ASSISTANCE PROGRAM.
BOTH GOVERNMENTS, RECOGNIZING THE IMPORTANCE TO THE
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EGYPTIAN ECONOMY OF ESTABLISHING AND IMPLEMENTING A PRO-
GRAM TO MODERNIZE THE GOVERNMENT'S TAX ADMINISTRATION,
AGREED EARLIER THIS YEAR TO A SURVEY OF THE PRESENT AD-
MINISTRATIVE SYSTEM. A U.S. TREASURY TAX TEAM COM-
PLETED THIS STUDY IN AUGUST 1975 AND SUBMITTED A REPORT
TO THE EGYPTIAN GOVERNMENT. THE SECOND PHASE OF THE
ASSISTANCE PROGRAM IS BASED ON THE RECOMMENDATIONS MADE
IN THIS REPORT.

10. IN DISCUSSING EFFORTS TO STRENGTHEN THE STRUCTURE OF
THE EGYPTIAN ECONOMY, REPRESENTATIVES OF THE TWO GOVERN-
MENTS EXPRESSED THEIR SUPPORT FOR THE ESTABLISHMENT OF A
CONSULTATIVE GROUP UNDER THE LEADERSHIP OF THE IBRD
WHICH WOULD HELP COORDINATE FOREIGN ECONOMIC ASSISTANCE TO
EGYPT AND MAKE RECOMMENDATIONS CONCERNING MEASURES TO AC-

CELERATE EGYPT'S ECONOMIC DEVELOPMENT. END INNER QUOTE.

11. I WOULD APPRECIATE YOUR COMMENTS ON THE ABOVE DRAFT
SECTION BY OCTOBER 17 IN VIEW OF THE SHORT TIME REMAINING
BEFORE PRESIDENT SADAT'S VISIT. END QUOTE. KISSINGER

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